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May 13, 1955

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MEMORANDUM FOR MR. STACY MAY,

Office of the Special Assistant to the President.

SUBJECT: Information on Trends in Sino-Soviet Bloc Economic Assistance Activities.

1. The attached memorandum, prepared for Mr. Charles H. Taquey, of my staff, by Mr. Helmut Sonnefeldt (OIR) and [REDACTED] (CIA), is forwarded pursuant to your request. 25X1A9a

2. In Sino-Soviet parlance, economic exchanges between a "more advanced" Communist country and another Communist or non-Communist country is considered as "aid". Communist propaganda tends to overemphasize "aid". However the memorandum shows that the type of Sino-Soviet bloc assistance which is comparable to our own kind of assistance is relatively small and of recent origin. Even so, most of this assistance is subject to repayment. There is, therefore, very little common measure between the Communist programs and our own.

3. If Sino-Soviet "technical assistance" constitutes a threat to the free world, it is because of its flexibility, economy and selectivity, and because of the propaganda appeal of a novelty and perhaps a better orchestrated publicity. There seems to be little doubt that the Soviets are using this form of intervention strategically to further their immediate political or economic interests. This is true especially in China where the largest developments are taking place in Manchuria close to the Soviet border, and in Afghanistan. The recent extension of Soviet bloc offers to members of the free world may reveal more sophisticated intentions. These intentions may be linked with the "peace campaign" and with their desire to lay at rest fears of Communist expansion. They may hope to convince the people of the free world that, far from being interested in promoting chaotic conditions by which Communism thrives, they are no less interested than the U.S. in the economic stability and growth of the under-developed countries of the free world.

4. As opposed to the Soviet concept, that of U.S. technical and developmental assistance is a long-range one and basically sound. We should nevertheless be conscious of the increasing tactical Sino-Soviet capabilities in these fields, and we should be ready to preclude or counter their moves by tactical counter-moves. This observation which is, I think, supported by the memorandum, militates for flexibility in the administration of our Mutual Security Program, especially in Asia. It might be

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brought to the attention of our field missions and be considered in the determination of the use to be made of the various "President's Funds" included in the Mutual Security Program.

H. S. Craig
Chief
Special Projects Staff

Attachment:
Memorandum